



The City of Saint John

MINUTES – OPEN SESSION FINANCE COMMITTEE MEETING
MAY 29, 2019 AT 4:50 PM
8th FLOOR COMMON COUNCIL CHAMBER (LUDLOW ROOM), CITY HALL

Present: Mayor D. Darling
Councillor D. Merrithew
Councillor G. Sullivan
Councillor S. Casey
Councillor D. Reardon
Councillor G. Norton

Also

Present: Deputy City Manager N. Jacobsen
Commissioner of Finance and Treasurer K. Fudge
Commissioner Growth & Community Development J. Hamilton
Comptroller Finance C. Graham
Senior Manager Financial Planning H. Nguyen
Commissioner Saint John Water B. McGovern
Assistant Comptroller Finance and Administrative Services C. Lavigne
Deputy Commissioner Administrative Services I. Fogan
Commissioner Transportation & Environment Services M. Hugenholtz
Operations Manager Finance & Administrative Services K. Loughery
Senior Financial Analyst J. Forgie
Administrative Fire Officer J. Hennessy
Administrative Assistant K. Tibbits

1. Meeting Called To Order

Councillor Merrithew called the Finance Committee open session meeting to order.

Moved by Councillor Norton, seconded by Councillor Sullivan:

RESOLVED that the agenda of May 29, 2019 be approved with the addition of Item 4.5 Canada Games Aquatic Centre - Reallocation of 2019 Capital Funding.

2. Approval of Minutes

2.1 Minutes of March 13, 2019

Moved by Councillor Reardon, seconded by Councillor Norton:

RESOLVED that the minutes of March 13, 2019, be approved.

MOTION CARRIED.

3. Consent Agenda

3.1 2019 General Operating Fund Year End Projection

That the report entitled 2019 General Operating Fund Year End Projection be received for information.

3.2 2019 Saint John Water Year End Projection

That the report entitled 2019 Saint John Water Year End Projection be received for information.

3.3 Safe Clean Drinking Water Project (SCDWP) Reserve Fund

That the Finance Committee submit the report entitled "Safe Clean Drinking Water Project (SCDWP) Reserve Fund", to the June 3, 2019 meeting of Common Council with a recommendation to withdraw the Safe Clean Drinking Water Project (SCDWP) Reserve funding in preparation for the upcoming substantial completion payment to Port City Water Partners which is planned to occur in approximately the next few weeks.

Moved by Councillor Reardon, seconded by Mayor Darling:
RESOLVED that each of the consent agenda items be adopted.

MOTION CARRIED.

4. Business Items

4.1 2018 Consolidated Financial Statements and Trust Fund Financial Statements

Mr. Lund and Mr. Mallais, Deloitte, reviewed the 2018 audited consolidated financial statements, trust fund financial statements, and the special purpose audit for the Trade and Convention Centre and expressed a clean audit opinion. Responding to a question regarding fraud risk, committee members confirmed that they are not aware of any known instances of fraud.

Ms. Nguyen reviewed the 2018 Consolidated Financial Statements. The City continues its effort to control debt. The General Fund debt balance has been reduced by \$5.5M and investment in capital reserves has been increased to reduce the amount of borrowing required. To mitigate future financial risks, the City is developing a 10-year financial plan to be completed in 2019.

Moved by Councillor Sullivan, seconded by Councillor Norton:
RESOLVED that the Finance Committee recommend that Common Council approve the City of Saint John Consolidated Financial Statements, the Trust Fund Statements of the City of Saint John, and the Trade and Convention Centre Financial Statements for the fiscal year ended December 31, 2018.

MOTION CARRIED.

4.2 2018 State of the Infrastructure Report

Mr. H. Arisz, RV Anderson and Mr. S. Yammine, Asset Manager reviewed the submitted report "2018 State of the Infrastructure Report". The report is part of the City's asset management plan and encourages and supports evidence based decision making.

Mr. Yammine stated that the report identifies the capital investment required to maintain the current level of services. It provides evidence based data to identify the amount of investment required, where it is required, when the asset needs to be replaced, risk to the organization and community if not replaced, impact to the level of service, and impact to the City's finances. The document is a tool to be used in the preparation of the capital budget.

Mr. Arisz noted that in terms of investment priority it should be a balance between managing risk, setting the optimal level of service, and minimizing the lifecycle cost of the asset. Data

quality is still not perfect and results should be interpreted cautiously – data completeness is considered to be very high while data accuracy is considered to be moderate. The current asset inventory is \$2.7B with a \$435M infrastructure deficit and \$579M of replacement costs required over the next 10 years. The City is underfunding its infrastructure assets by a 43% funding ratio. There are \$97.3M of assets in the “Extreme” risk category. The City’s overall infrastructure score is a B- which is considered “Good to Fair” condition. Infrastructure requires attention and corrective action.

Moved by Councillor Sullivan, seconded by Mayor Darling:

RESOLVED that the 2018 State of the Infrastructure report be received for information.

MOTION CARRIED.

4.3 2020-2021 General and Utility Capital Budgets

Mr. Fudge stated that the 2020-2021 General and Utility Capital Budget is the first draft multi-year capital budget and is evidence based, using the asset management plan, capital budget policies and priorities of Council in its preparation.

Mr. Lavigne noted that the capital budget focuses heavily on assets that are at the highest risk of failure and beyond its useful life, with a majority of asset replacement having a letter grade of “F”. The proposed multi-year capital budget for 2020-2021 is slightly under \$42M with the City’s share at approximately \$20M over two years. Projects focus on climate change, supporting growth, and the infrastructure deficit.

Mr. McGovern presented the 2020-2021 Utility Fund Capital Budget which is approximately \$26M over two years. The infrastructure deficit for the utility is approximately \$300M. Staff attempts to leverage ratepayer’s dollars by seeking funding from other levels of government whenever possible. The focus is on reducing debt accumulated as a result of Harbour Clean-Up and the SCDWP. The budget invests into infrastructure renewal which is necessary given the high infrastructure deficit.

In response to a question, Ms. Hamilton stated that the capital budget process has been a collaborative approach with consideration given to the growth perspective. It is recognized that capital budget dollars must be used strategically to drive the growth agenda. Investments have been set around key projects to leverage growth in the community.

(Councillor Sullivan withdrew from the meeting)

Moved by Councillor Reardon, seconded by Councillor Norton:

RESOLVED that the 2020-2021 General and Utility Capital Budgets be received for information.

MOTION CARRIED.

4.4 Greening Our Fleet Policy

Mr. Loughery noted that the Greening Our Fleet Policy will help the city reduce its greenhouse gas emissions and contribute towards the long term goal of becoming carbon neutral. The policy includes all of the City’s vehicles including motorized equipment and addresses such areas as engine warm up periods, reduction of idling times, and taking the most direct and safe route. There will be situations in which conditions are not conducive for the implementation of the policy such as the performance of equipment maintenance, extreme weather conditions, mechanical problems, and emergency situations. Audits will be conducted periodically to ensure compliance to the policy.

Moved by Mayor Darling, seconded by Councillor Reardon:

RESOLVED that the Finance Committee recommends that Common Council approve the submitted City of Saint John Greening Our Fleet Policy Statement FAS-010.

MOTION CARRIED.

4.5 Canada Games Aquatic Centre – Reallocation of 2019 Capital Funding

Mr. Fudge explained that a request was received from the Canada Games Aquatic Centre to reallocate some of the 2019 capital budget. The CGAC received some funding from the federal government and are requesting reallocation of funds for projects directed towards reducing energy and water consumption. Based on the capital budget policy, it is within Council's authority to allow a surplus to be reallocated to another use.

In response to comments regarding the re-allocation of funding when money has been successfully leveraged elsewhere, Mr. Fudge stated that there are criteria in the capital budget policy that the money must be put towards infrastructure deficit or be conducive to growth. In this instance the business case supports reduced energy consumption.

Moved by Mayor Darling, seconded by Councillor Reardon:

RESOLVED that the Finance Committee recommend that Common Council approve reallocating \$28,000 capital funding to the Canada Games Aquatic Centre from the accessibility lift project to two projects, motion detection lighting and flow monitors.

MOTION CARRIED.

Adjournment

Moved by Mayor Darling, seconded by Councillor Reardon:

RESOLVED that the open session meeting of the Finance Committee be adjourned.

MOTION CARRIED.

The Finance Committee open session meeting held on March 13, 2019 was adjourned at 6:05 p.m.